

UNITED STATES INTERNATIONAL TRADE COMMISSION

APPAREL INPUTS IN “SHORT SUPPLY”: RAYON FILAMENT YARN

Investigation No. 332-428-008

July 2001



Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-428-008

Products	Apparel of rayon filament yarn
Requesting Party	ICF Industries, Inc., New York, NY ¹
Date of Commission Report: USTR Public	July 9, 2001 July 2001
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Summary of Findings

The Commission's analysis shows that granting duty-free and quota-free treatment to certain apparel articles made in eligible Caribbean Basin or sub-Saharan African countries from rayon filament yarn, regardless of the source of the yarn, would likely have no effect on any U.S. producers of the yarns or thread made from the subject yarn and would likely benefit U.S. producers of fabrics made from the yarn. The proposed preferential treatment is expected to have little adverse effect on any U.S. producers of similar yarns that may compete with the subject yarn or U.S. producers of fabrics made from such similar yarns. The proposed preferential treatment could have a slight adverse effect on any U.S. apparel producers producing domestically and their workers, but would likely benefit U.S. apparel firms assembling the apparel in eligible beneficiary countries, as well as their U.S.-based workers. U.S. consumers would likely benefit from some duty savings resulting from the proposed preferential treatment.

Background

On March 14, 2001, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-428, *Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice during 2001 in connection with petitions filed by interested parties under the “short supply” provisions of the African Growth and Opportunity Act (AGOA) and the United States-Caribbean Basin Trade Partnership Act (CBTPA).²

The Commission's advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on May 23, 2001, alleging that rayon filament yarn cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for apparel made in eligible CBTPA or AGOA beneficiary countries from fabrics produced in the United States of such yarn, regardless of the source of such yarn.

¹ ICF Industries is an importer and distributor of rayon filament yarn. The domestic yarn users mentioned in the request are: Darlington Fabrics, Westerly, RI; J.B. Martin Company, Inc., Leesville, SC; JPS Apparel Fabrics Corp., Greenville, SC; Keystone Weaving Mills, Inc., Lebanon and York, PA; Kronfli Spundale Mills, Inc., Vernon, CA; Liberty Fabrics Inc., Gordonsville, VA; McGinley Mills, Inc., Easton, PA; NRB Industries, Inc., Radford, VA; Lawrence Schiff Silk Mills, Inc., Quakertown, PA; Robison Anton Textile Company, Fairview, NJ; Schneider Mills, Inc., Taylorsville, NC; Shara-Tex Inc., Vernon, CA; and A. Wimpfheimer & Brothers, Inc., Blackstone, VA.

² For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of March 21, 2001 (66 F.R. 15886), as well as the special area on its Internet site for the investigation (www.usitc.gov/332s/shortsup/shortsupintro.htm).

The President is required to submit a report to the House Committee on Ways and Means and the Senate Committee on Finance that sets forth the action proposed to be proclaimed, the reasons for such action, and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.³

Brief discussion of products

The yarn named in the petition is classified in subheadings 5403.31.00 and 5403.32.00 of the Harmonized Tariff Schedule of the United States (HTS), which provide for single filament yarn of viscose rayon (other than sewing thread and high-tenacity and textured yarn), not put up for retail sale, including artificial monofilament of less than 67 decitex.⁴ The subject yarn is processed primarily into woven satin and velvet fabrics. The rayon satin fabric is often used in the manufacture of shirts, blouses, skirts, and dresses and is often used as a lining material in higher quality suits, coats, jackets, dresses, and skirts. The rayon velvet fabric is used in women's and girls' skirts, dresses, and gowns, and also as trim on some menswear (e.g., tuxedo collars, cuffs, and cummerbunds). The short supply petition, if granted, would apply to any type of apparel of HTS chapters 61 (apparel, knitted or crocheted) and 62 (apparel, not knitted or crocheted), and duty rates range from 6 to 28.7 percent ad valorem.

The subject yarn is a fine-stranded filament yarn with a very low or zero-twist. According to the petitioner, the yarn is considered of high quality and is available in a variety of colors, sizes, and bright, semi-dull, or dull finishes. Rayon filament yarn is generally considered a finished yarn because it is typically used from its packaged form directly on machinery, whether on cones, spindles, or weaving beams.

All rayon is produced by the viscose process. In the viscose process, cellulosic materials such as wood chips, pulp, or cotton linters are dissolved in an alkaline solution. The solution is treated with carbon disulfide to produce a solution of cellulose xanthate. This solution is then forced through tiny spinnerets in an acid bath to produce the essential rayon fiber. Rayon filament is carefully drawn through washing baths and wound on spools, cones or beams as a number of continuous filaments. Most of the filaments are very fine and are given no twist or a simple weaving twist of one or two turns per inch, with no further finishing required to produce the yarn. The yarn may be solution-dyed (i.e., dyed during the formation of the rayon filaments) or finish-dyed (i.e., dyed to the proper color after the yarn has been formed).

According to industry sources, there is no known domestic production of rayon filament yarn. Although there is production of a related product, rayon staple fiber, the production methods and equipment used differ from those for rayon filament yarn. The subject yarn is continuously wound onto spools or beams as a finished yarn, whereas rayon staple fiber consists of cut (short) lengths of filaments for spinning into yarn. According to Lenzing Fibers, Lowland, TN, the only known U.S. producer of rayon staple fiber, the equipment that is currently used to produce such fiber cannot be converted to produce rayon filament yarn.⁵ The Lenzing official also stated that plant conversion to produce rayon filament yarn would require a high level of capital investment. A representative of the petitioner (ICF Industries) stated that the firm obtains most of the subject yarn from Enka Viscose in Germany.⁶

³ In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. He authorized CITA and USTR to submit the required report to the Congress.

⁴ Decitex is a unit of fiber weight equal to one-tenth of a tex. Tex is the weight in grams of a length equal to one kilometer of yarn, filament, fiber, or other textile strand. Hoechst Celanese Corporation, *Dictionary of Fiber & Textile Technology* (Hoechst Celanese Corporation, Charlotte, NC, 1990) pp. 41, 157.

⁵ Doug Noble, Lenzing Fibers, Lowland TN, telephone interview by Commission staff, June 5-6, 2001.

⁶ David Trachtenberg, ICF Industries, New York, NY, telephone interview by Commission staff, June 4, 2001.

Based on information currently available to the Commission, rayon filament yarn has no real substitutes; however, two man-made cellulosic materials, rayon staple fiber and acetate, may appear similar. Although produced by a similar process, rayon staple fiber does not compete with rayon filament. The two types of rayon fibers have different physical qualities such as sheen, silkiness, texture, and durability that prevent substitution of each fiber for the other. Thus, rayon staple fiber cannot be used to produce a shiny satin or velvet, and rayon filament yarn cannot be used to produce fabrics normally made from rayon staple fiber, such as a lightweight challis fabric. U.S. industry sources differ as to whether rayon and acetate filament yarns are substitutable for one another. According to the petitioner, the two yarns are not substitutable because they undergo different manufacturing processes and have different physical properties (e.g., anti-static properties, breaking strength, stretch capacity, and moisture retention) that affect dyeing, finishing, and processing; wearing comfort; product life span; and ease of handling in garment manufacturing.⁷ As such, fabrics made from rayon filament yarn and acetate filament yarn have different characteristics, such as in appearance and durability. For example, acetate filament yarns, while used in fabrics with a satin weave, do not possess the durability or smoothness of rayon satin. Industry representatives have indicated that there are no substitutes for the quality and richness of the feel of finished rayon satin or velvet fabric demanded by fashion-conscious consumers.⁸ U.S. producers of acetate filament, Celanese Ltd. and Eastman Chemical Co., stated that rayon filament and acetate filament yarns are interchangeable in many fabrics, including crepe woven fabrics.⁹ Eastman Chemical noted that the important physical properties of the two filament yarns are very similar and, as such, the yarns are interchangeable.¹⁰ According to the petitioner, because the average price of rayon filament sold in the United States is approximately double the price of acetate, the end uses for the rayon filament yarn are ones in which the yarn is required because of its unique, non-substitutable properties.¹¹

Brief discussion of affected U.S. industries, workers, and consumers

The affected segments of the U.S. textile and apparel industries include producers of yarns, fabrics, and apparel. According to representatives of the American Yarn Spinners Association (AYSA), Gastonia, NC, and the American Textiles Manufacturers Institute (ATMI), Washington, DC,¹² there are no U.S. producers of rayon filament yarn.

ICF Industries represents the 13 firms listed in the petition that produce fabrics from the subject yarn in the United States. Two of the firms have manufacturing facilities in Vernon, CA, while the rest have mills in the eastern United States from Stonington, CT, to Gaffney, SC. All but one produce rayon velvet or satin fabric using the subject yarn. Robison Anton Textile Company manufactures thread and embroidery yarn from rayon filaments, and ships the finished thread and embroidery yarn to apparel producers in the Caribbean Basin, where they are used to sew or decorate lingerie and other garments.¹³ A representative of Robison Anton stated that to its knowledge, Robison Anton is the only U.S. manufacturer of rayon thread and rayon embroidery yarn.¹⁴ According to ICF Industries, the

⁷ David G. Trachtenberg, Vice President, ICF Industries, Inc., New York, NY, written submission to CITA, June 15, 2001.

⁸ Jim Conner, Executive Vice-President, AYSA, and Charles Bremer, Director of International Trade, ATMI, telephone interviews by Commission staff, May 31, 2001.

⁹ H. Newton Williams, Vice President, Government Relations, Celanese Ltd., Arlington, VA, and Richard L. Johnson, Vice President & General Manager, Fibers Business Organization, Eastman Chemical Co., Kingsport, TN, written submissions to CITA, June 4 and 11, 2001, respectively.

¹⁰ Richard L. Johnson, Vice President & General Manager, Fibers Business Organization, Eastman Chemical Co., Kingsport, TN, written submission to CITA, June 11, 2001.

¹¹ David G. Trachtenberg, Vice President, ICF Industries, Inc., New York, NY, written submission to CITA, June 15, 2001.

¹² Telephone interviews with Jim Conner, Executive Vice-President, AYSA, May 31, 2001; and Charles Bremer, Director of International Trade, ATMI, May 31, 2001.

¹³ Bruce Anton, Robison Anton Textile Company, Fairview, NJ, telephone interview by Commission staff, June 5, 2001.

¹⁴ Bruce Anton, Robison Anton Textile Company, Fairview, NJ, telephone interview by Commission staff, June 5, 2001.

manufacturers listed in the petition employ a total of about 6,000 workers. The manufacturers represent some of the larger domestic users of rayon filament yarn.¹⁵

According to the petitioner, the segments of the U.S. textile industry using the subject yarn face intense competition from Asian and other foreign suppliers of fabrics made from rayon filament yarn, and from imports of low-priced apparel made from fabrics of rayon filament yarn. The petitioner also stated that two textile weavers that had used rayon filament yarn in the recent past have been “forced out of business,” representing a loss of approximately 1,450 workers.¹⁶

Views of interested parties

No written statements were filed with the Commission.

Probable economic effect advice¹⁷

The Commission’s analysis shows that granting duty-free and quota-free treatment to certain apparel articles made in eligible AGOA or CBTPA beneficiary countries from the subject yarn would have no adverse effect on U.S. yarn producers because industry sources report that there currently is no known domestic production of the subject yarn. The proposed preferential treatment would likely benefit U.S. producers of satin and velvet fabrics made from the subject yarn, and their workers, by spurring demand for the U.S. fabrics for use in the production of garments in eligible beneficiary countries. The elimination of U.S. tariffs on imports of the finished apparel from these beneficiary countries would likely result in an increase in sales of such garments and a corresponding increase in demand for the fabrics. The proposed preferential treatment is expected to have little adverse effect on any domestic producers of similar yarns (e.g., acetate) that may compete with the subject yarn and domestic producers of similar fabrics that are made from such similar yarns.

The proposed preferential treatment is also expected to benefit U.S. and other apparel firms making garments in eligible AGOA and CBTPA beneficiary countries from fabrics made of the subject yarn. The expected increase in imports of such apparel from the CBTPA and AGOA beneficiary countries, although likely to be small, would likely displace some imports of similar apparel from other countries. Although imports are believed to account for the majority of the U.S. market for apparel made from the subject yarn, there could be a slight adverse effect on any U.S. firms producing similar or competing apparel domestically. Several industry sources indicated that many larger apparel manufacturers maintain small manufacturing facilities in the United States to quickly sew and deliver initial orders of apparel representing the latest fashions, while doing the production of larger orders or less trendy apparel offshore.¹⁸

U.S. consumers of apparel articles made from the subject yarn would likely benefit from the proposed preferential treatment because importers and retailers are likely to pass through some of the duty savings to consumers in today’s highly competitive retail apparel market.

¹⁵ David Trachtenberg, ICF Industries, petition to CITA, May 22, 2001.

¹⁶ David Trachtenberg, ICF Industries, submission to CITA, May 22, 2001.

¹⁷ The Commission’s advice is based on information currently available to the Commission.

¹⁸ Telephone interviews by Commission staff with David Trachtenberg, ICF Industries, New York, NY, June 4, 2001; Loic de Kertanguy, J.B. Martin, New York, NY, June 7, 2001; Fred Lidsky, A. Wimpfheimer, Fairview, NJ, June 5, 2001; and Bruce Anton, Robison Anton Textile Co., Stonington, CT, June 5, 2001.